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HOUSE SET TO PASS CREDIT CARDHOLDERS BILL OF RIGHTS
MEASURE INTENDED TO PROTECT CONSUMERS FROM ABUSE BY CREDIT CARD COMPANIES

WASHINGTON, D.C. - The U.S. House of Representatives is set to approve on Thursday a consumer protection measure cosponsored by Seventh District Congressman Dave Obey (D-WI), which is intended to attack unfair and abusive practices by credit card companies.

"Credit cards play an important role in our economy, but some credit card companies are taking every opportunity to profit at consumers' expense by sharply increasing interest rates or using the fine print to hide fees or other important conditions," said Obey, who has been a strong advocate for increased consumer protections to counter those aggressive tactics. "With the economy the way it is, now more than ever we need some new rules of the road in place to keep the big boys honest and playing fair. I'm glad the House is moving this measure, and I hope the Senate will act soon too."

H.R. 627, the Credit Cardholders Bill of Rights would prevent credit card companies from retroactively increasing interest rates on cardholders for reasons unrelated to their history with that company - a practice known as universal default. "Right now, there are a number of credit card companies that will jack up your interest on your existing balance, even if you've never been a day late paying your bill. The small print on their contract says they can charge you more if you've missed some other payment on somebody else's bill. So, if you go on a vacation and you're a week late paying your electric bill, if that gets reported on your credit report, a credit card company can take your 10 percent interest rate and jack it up to 30 percent or more, no questions asked," Obey noted. "That's nothing but usury, and I'm glad we're putting a stop to that practice."

Among other things, the bill would also:

- Prevents card companies from unfairly increasing interest rates on existing card balances - retroactive increases are permitted only if a cardholder is more than 30 days late, if a preagreed promotional rate expires, or if the rate adjusts as part of a variable rate.

- Let consumers set hard credit limits and stop excessive "over-the-limit" fees.

- Require card companies to give 45 days notice of all interest rate increases so consumers can pay off their balances and shop for a better deal.

- End unfair "double cycle" billing - card companies couldn't charge interest on debt consumers have already paid on time

- Protect cardholders from due date gimmicks by requiring card companies to mail billing statements 25 days before the due date (up from the current 14 days), and to credit as "on time" payments made before 5 p.m. local time on the due date.

- Require that payments be applied to balances evenly when a cardholder has balances at multiple interest rates instead of just to the lowest interest rate first.

- Establish standard definitions of terms like "fixed rate" and "prime rate" so companies can't mislead or deceive consumers in marketing and advertising

- Prohibit card companies from issuing cards to individuals under 18 who are not emancipated minors.

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